

MINUTES OF THE REGULAR MEETING
OF THE BOARD OF DIRECTORS OF
EAST ORANGE COUNTY WATER DISTRICT

July 21, 2011

1. **Call to Order.** A Regular Meeting of the Board of Directors of the East Orange County Water District was called to order by WILLIAM VANDERWERFF, President of the Board of Directors, at 5:00 p.m. on Thursday, July 21, 2011, in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California. JOAN ARNESON, Secretary, recorded the minutes of the meeting.

The following Directors were present: RICHARD BARRETT, RICHARD BELL, DOUGLAS CHAPMAN and WILLIAM VANDERWERFF.

Also present were:

LISA OHLUND	General Manager
JERRY MENDZER	Maintenance & Operations Superintendent
JOAN ARNESON	District Secretary and Legal Counsel
ROB HANFORD	Golden State Water Company

2. **Public Communications to the Board.** None.

3. **Items Arising After Posting of Agenda.** Ms. ARNESON said there was a need for a closed session to discuss an item of significant exposure to litigation.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), it was determined that the need to take immediate action on such item came to the District's attention after the posting of the agenda, and a conference with legal counsel – anticipated litigation – significant exposure to litigation (Government Code Section 54956.9(b)) – one potential case, was added to the agenda (Item 9B, below).

4. **General Manager's Report.** Director BARRETT requested elaboration on the reported items concerning Peters Canyon 6MG Reservoir water quality issues and South County desalination project, and Director CHAPMAN requested elaboration on the status of the Crawford Canyon erosion issue. Ms. OHLUND and Mr. MENDZER reported on the failed test and retest at the Peters Canyon Reservoir, stating that a diver inspection had been made and it is believed this may be a problem with sediment stirred by turbidity from heavy usage. The

retest was successful after use was stabilized. In regard to Crawford Canyon, a letter attempting to contact the owner of the parcel adjacent to the erosion-impacted pipeline was returned undelivered. The County has indicated that the owner must be given an opportunity to restore drainage through the fill he has placed before the County will take further action, so another effort to contact the owner by mail at a different address will be made. In regard to the South County desalination project, Director BELL reported that the pilot testing and modeling to establish feasibility are underway. Outstanding issues include cost, participation and brine disposition.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the General Manager's Report was received and filed.

5. Minutes.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the minutes of the meeting of June 16, 2011 were approved as submitted.

6. Operation, Management and Construction Matters.

A. Water Conservation Report. Ms. OHLUND reported that in the near future, MWDOC will be reformatting this report to track the progress of per capita reductions under the "20 by 2020" demand reduction legislation (SBX7).

7. Financial Matters.

A. Schedule of Disbursements. The Board reviewed schedules of disbursements in the following amounts: \$350,437.75 from Wholesale and Retail Operating Funds, \$0 from the Chapman Avenue Account, \$3,232.81 for Directors' payroll, and \$52,131.11 for employees' payroll.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the schedules of disbursements were approved as submitted.

B. Investment Activity. The monthly investment activity report was handed out. On behalf of the Finance Committee, Director CHAPMAN recommended approval.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the schedules of investments were ratified and approved.

C. Financial Statements. On behalf of the Finance Committee, Director CHAPMAN recommended approval.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the financial statements were received and filed.

D. Investment Program. Director CHAPMAN reported that as requested at the last meeting, the Finance Committee discussed the ladder investment program presented by Wells Fargo Advisors. He said that he continued to be of the opinion that it would be preferable for the District to limit its investments to treasuries with inflation protection, using a discount broker with a good online program for obtaining bids on investments of interest, and LAIF. He said this would require the Board to approve a policy change allowing the acquisition of maturities longer than 5 years, which must be done 3 months prior to acquisition. President VANDERWERFF said he would prefer to wait to see the outcome of the Congressional debate on the debt ceiling issue in early August. Director BELL said he would like to review price histories on the proposed investments. Director CHAPMAN requested that a resolution be developed to proceed with the recommended approach.

E. Wholesale Water/Revenue Loss Issue. Ms. OHLUND reported that the proposed modification of the billing procedure has been reviewed with the retailers, who are not in favor of it and would prefer a per acre foot charge to recover system losses. She explained that the new method would be implemented along with a change to more accurate magnetic meters that will be tied into the SCADA system. She illustrated the current billing and the change, which will correct for the intertie differential between the upper and lower zones, calculate the percentages of the retailers' water purchases, factor the storage changes and apply the percentages to those changes and the intertie differential to arrive at the amounts to be billed to the retailers. Director CHAPMAN asked if it would not be simpler to just add a specified percentage, and adjust it each year based on whether it undercollects or overcollects. He felt the proposed method would be too complicated. Ms. OHLUND said that would not be as accurate, because the percentage varies considerably over time.

ACTION TAKEN:

Upon a motion duly made, seconded and carried 3-1-1 (Chapman no, Dulebohn absent), Resolution No. 697 was adopted, entitled "Resolution of the Board of Directors of East Orange County Water District Adopting Modified Procedures For Billing of Wholesale Water Purchases," subject to revisions to the recitals to reflect that EOCWD cannot continue to absorb this loss.

F. Uncollectible Retail Accounts. Ms. OHLUND noted that the amount was up from last year, and she would be bringing changes to the Board in the Rules and Regulations provisions for payment and collection after gathering information on other agencies' practices.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the writeoff of uncollectible retail accounts and collection in accordance with adopted procedures was authorized.

8. Miscellaneous Matters.

A. Reports from Committees and Representatives to Organizations. None.

B. Directors' Reports on Meetings Attended. None.

C. Turf Removal Agreement. Ms. OHLUND said this program would be beneficial to the District in implementing best management practices. Director BARRETT expressed their view that the District shouldn't allocate funds to add to MWDOC's contribution, and others agreed.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the agreement with MWDOC for participation in the Turf Removal Rebate Program for Residential and Commercial Properties was approved, with MWDOC's contribution only and no added contribution by EOCWD.

D. OCWD/MWDOC Consolidation Study. Ms. OHLUND presented a draft letter recommending that OCWD and MWDOC first look for joint cost efficiencies and defer any consolidation study efforts until that has been done.

ACTION TAKEN:

Upon a motion duly made, seconded and carried 3-0-1-1 (Bell abstaining, Dulebohn absent), the proposed letter was approved.

E. Authorization of Conference Attendance.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), Director BELL and General Manager OHLUND were authorized to attend the Urban Water Institute 2011 Annual Conference.

10. Informational Items. 1. IRWD-OPA Wells initial study/ mitigated negative declaration (MND). Ms. ARNESON recused herself from this item, and the following minutes were taken by Ms. OHLUND: EOCWD's comments on the OPA Wells MND, prepared with the assistance

of special counsel and submitted to IRWD on July 15th, were discussed. Ms. OHLUND noted that she has met with IRWD staff to discuss the issues raised in EOCWD's comments, and that IRWD has pulled the MND from their July 25th Board Meeting agenda. IRWD staff has expressed their willingness to meet and confer over these issues.

9. Closed Sessions. President VANDERWERFF announced that the Board would meet in closed session, as follows: **(A)** conference with labor negotiators (Govt. Code §54957.6) – agency designated representatives: Directors Bell and VanderWerff – unrepresented employees: Maintenance & Operations Superintendent; Office Manager; Distribution Worker I; Distribution Worker III; **(B)** [added item] conference with legal counsel – anticipated litigation – significant exposure to litigation (Government Code Section 54956.9(b)) – one potential case

OPEN SESSION

Open session was resumed. No action was reported from the closed sessions under item A or item B.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the following merit adjustments were approved to the hourly compensation amounts for the Operations & Maintenance Superintendent (1.5%), Office Manager (2%), Distribution Worker III (1.2%) and Distribution Worker I (3%), effective July 1, 2011.

11. Adjournment.

ACTION TAKEN:

Upon a motion duly made, seconded and carried unanimously (Dulebohn absent), the meeting was adjourned at 7:30 p.m., to the next regular meeting date and time being Thursday, August 18, 2011, at 5:00 p.m., to be held in the Offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California.

Respectfully submitted,



Joan C. Arneson